

important events of the war and committed the conservative business element conclusively to the side of the Union and the policy of coercion of the seceded States. The banks of the three big Eastern cities had an aggregate capital of \$120,000,000, a circulation of \$16,964,749, deposits of \$125,617,207, and coin reserves of \$63,165,039, the latter being equal to forty-five per cent, of demand liabilities.¹ They had already made an agreement in November, 1860, when secession compelled them to contract their business and prepare for a period of stress, for issuing clearing house certificates and making the specie of all the banks available as a common fund.²

Congress passed an Act on August 5, 1861, relaxing the provisions of the sub-treasury law so far as to permit the Secretary of the Treasury to deposit any money obtained from loans to the credit of the United States Treasurer in such solvent specie-paying banks as he might select.³ The banks accepted this law as authority for the use of the ordinary means of commercial exchange,—bank-notes, checks and drafts,—in the transactions of the government. They recommended to the Secretary, therefore, that he should take the proceeds of the advances made by the banks by drawing checks and drafts upon the banks, in favor of public creditors. They suggested that this would not only prove of great practical convenience, but would diminish the hoarding which would take place if the banks paid out their coin and reduced their reserves while uneasiness as to the future prevailed in the business community. Secretary Chase, to the surprise of nearly every financier, declared that the Act of August 5th had no such meaning or intent and that he should require payment of the advances in coin. The subject was warmly discussed between the Secretary and the bankers, but the Secretary's purpose was unshaken and the banks yielded rather than break off negotiations so important to the maintenance of the public credit.

¹ Poor, 557.

^a Bolles, III., 23.

³ Acts of Thirty-seventh Congress, 1st Sess., Cn. 46, Section 6.